

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Annual Compliance Report, 2011

Docket No. ACR2011

CHAIRMAN'S INFORMATION REQUEST NO. 3

(Issued February 7, 2012)

To clarify the basis of the Postal Service's estimates in its proposals filed in Docket No. ACR2011, the Postal Service is requested to provide written responses to the following questions. Answers should be provided to individual questions as soon as they are developed, but no later than February 14, 2012.

First Class Mail

1. Please refer to Postal Service's Response to Chairman's Information Request No. 1, question 1. For the discounts for Automation AADC Letters, 5-Digit Automation Letters, Mixed AADC Automation Cards, AADC Automation Cards, 5-Digit Automation Cards, ADC Automation Flats, 3-Digit Automation Flats, QBRM Letters and QBRM Cards the Postal Service justifies the above 100 percent passthroughs in FY 2011 by the exception granted in 39 U.S.C. § 3622(e)(2)(B). Please provide qualitative description and/or quantitative analysis (e.g., economic damage or disruption to business plans) to support use of this exception.

International Mail

2. Please refer to the response to CHIR No. 1, question 29(a-b), which provided the final CY 2010 annual and CY 2011 preliminary year-to-date monthly (January-November) quality of service measurement results for the link to terminal dues.

Please explain the causes of the change in the CY 2011 year-to-date on-time percent performance compared with the CY 2010 annual performance for letterpost items.

3. Please refer to the response to CHIR No. 1, question 31, concerning the Foreign Postal Settlement (FPS) system, where it states that “All of the files in the IAB Files as Provided directory in the Supporting Files folder of USPS-FY11-NP2 were generated using FPS reports and data extracts of the inbound and outbound mailings received and dispatched during FY2011.” Given the response above, please explain why the financial results presented FY 2011 ICRA are reported under both the “booked” and “imputed” methodologies, as provided in the Excel files Reports (Booked).xls and Reports.xls, respectively.
4. Please refer to the response to CHIR No. 1, question 35(b), where it states that the Postal Service “changed the operating procedures” so that Inbound Registered Mail “pieces would travel in the regular letter and flat mailstream through mail processing plants, rather than the domestic Registered mailstream.”
 - a. Please identify the fiscal year in which the changed operating procedures were fully implemented.
 - b. Please explain how these changed operating procedures, and the effect of “encirclement rules used in the IOCS,” caused an increase in mail processing costs for Inbound Registered Mail.
5. Please refer to the response to CHIR No. 1, question 36(a), concerning the absence of volume data for the IMTS-Inbound product. In Docket No. RM2011-5, the Postal Service stated that for the IMTS-Inbound product the “POS [Point of Sale (POS) System] keeps track of the volume for cashed paper money orders, and can distinguish between domestic and international money orders cashed.

The international volume can be retrieved via a specific IT query.” Response to CHIR No. 1, question 1. Please discuss the Postal Service’s plan to use the POS System to determine volume data for the IMTS-Inbound product.

6. Please refer to the response to CHIR No. 1, question 37, concerning Outbound Single-Piece First-Class Mail International to Canada under the “booked” methodology.
 - a. Please provide the amount of the Postal Service’s “overpayments of prior years’ provisional payments” to Canada Post for outbound letterpost by fiscal year.
 - b. Please explain why a single prior period adjustment for overpayments in a number of prior years was made in FY 2010 rather than on an annual basis following the year of the overpayment.
 - c. Please confirm that during the fiscal years identified in response to subpart (a) above, costs for outbound letterpost to Canada were higher and the cost coverage lower as presented in the ICRA for the identified fiscal years than if those overpayments had not occurred. If not confirmed, please explain.
 - d. Please confirm that the FY 2010 prior period adjustment resulted in lower costs for outbound letterpost to Canada and a higher cost coverage presented in the FY 2010 ICRA than if the prior period adjustment for the overpayments had not been made. If not confirmed, please explain.
 - e. Please refer to USPS-FY10-NP2, Excel file Reports.xls, worksheet A- Pages (md), Table A-1, which shows that costs exceed revenues for Outbound Single-Piece First-Class Mail International to Canada under the “imputed” methodology. Please provide the amount of the “overpayments of prior years’ provisional payments” by fiscal year and the amount of FY 2010 prior period adjustment under the “imputed” methodology.

7. Please refer to USPS-FY11-NP2, Excel files NSA Summary (Booked).xls and NSA Summary (Imputed).xls.
 - a. In the worksheet tab Summary, costs exceeded revenues for the Global Plus 2A product based upon both the “booked” and “imputed” methodologies. Please explain why costs exceed revenues for the product and describe what steps the Postal Service will take to ensure that revenues exceed costs for this product in the future.
 - b. The worksheet tab Summary does not provide any financial performance data for the Global Plus 1 or 2 products. Please explain, and include any applicable data.
 - c. Please reconcile the booked and imputed pieces for the Global Plus 1A, 1B, 2A, and 2B products shown in USPS-FY11-NP2, Excel files NSA Summary (Booked).xls and NSA Summary (Imputed).xls, and the worksheet tabs Summary to the booked and imputed pieces provided for such products in USPS-FY11-NP2, Excel files Reports (Booked).xls and Reports.xls, worksheet tabs A Pages (c), Table A-2, respectively.
 - d. The worksheet tab Summary does not provide any financial performance data for Inbound Surface Parcel Post (at non-UPU rates). Instead, a single line entry for Inbound Surface Parcel Post (at non-UPU rates), indicates that “Products are included in Group (Agreements).” Please provide the revenue, volume variable cost, product specific costs (if any), pieces, and net/gross pounds for each agreement/contract (identified by docket number, name of company/operator and, if applicable, agreement/contract number) for Inbound Surface Parcel Post (at non-UPU rates) that is “included in Groups (Agreements).”
 - e. In worksheet tab IBRS, cell A9 consists of the word “Agreement” instead of a docket number. Please explain the absence of a docket number.

8. The following questions concern outbound competitive international negotiated service agreements (NSAs) for Global Expedited Package Services (GEPS) Contracts.
 - a. In USPS-FY11-NP2, Excel file Reports (Booked).xls, worksheet tab A Pages (c), Table A-2, the Postal Service reports the financial results for the GEPS products in a single entry, Global Expedited Package Services (GEPS) Contracts. The competitive product list identifies three products under the heading Global Expedited Package Services (GEPS) Contracts: GEPS1, GEPS2, and GEPS3. For the GEPS1, GEPS2, and GEPS3 products, please provide the revenue, volume variable cost, product specific costs (if any), pieces, and net/gross pounds for each agreement/contract (identified by docket number, name of company/operator and, if applicable, agreement/contract number) used to derive the revenue, cost, volume, and weight figures for GEPS Contracts shown in Table A-2.
 - b. Please reconcile the revenue, pieces, pounds, volume variable cost, and contribution for the GEPS1, GEPS2, and GEPS3 products shown in USPS-FY11-NP2, Excel file NSA Summary (Booked).xls, worksheet tab Summary with the revenue, pieces, pounds, volume variable cost, and contribution provided for such products in response to subpart (a), above.
 - c. Please respond to subparts (a)-(b), above, with reference to the Excel file Reports.xls, worksheet tab A Pages (c), Table A-2 and the Excel file NSA Summary (Imputed).xls, worksheet tab Summary.
9. The following questions concern outbound competitive international negotiated service agreements for Global Reseller Expedited Package (GREPS) Contracts.
 - a. In USPS-FY11-NP2, Excel file Reports (Booked).xls, worksheet tab A Pages (c), Table A-2, the Postal Service reports the financial results for

the GREPS product in the entry Global Reseller Expedited Package Contracts. Please provide the revenue, volume variable cost, product specific costs (if any), pieces, and net/gross pounds for each agreement/contract (identified by docket number, name of company/operator and, if applicable, agreement/contract number) used to derive the revenue, cost, volume, and weight figures for GREPS Contracts shown in Table A-2.

- b. Please reconcile the revenue, pieces, pounds, volume variable cost, and contribution for the GREPS Contracts product shown in USPS-FY11-NP2, Excel file NSA Summary (Booked).xls, worksheet tab Summary with the revenue, pieces, pounds, volume variable cost, and contribution provided for this product in response to subpart (a), above.
 - c. Please respond to subparts (a)-(b), above, with reference to the Excel file Reports.xls, worksheet tab A Pages (c), Table A-2, and the Excel file NSA Summary (Imputed).xls, worksheet tab Summary.
10. The following questions concern outbound competitive international negotiated service agreements for Global Expedited Package Services (GEPS)—Non-Published Rates (GEPS—NPR) Contracts.
- a. In USPS-FY11-NP2, Excel file Reports (Booked).xls, worksheet tab A Pages (c), Table A-2, the Postal Service reports the financial results for the GEPS-NPR product in the entry Global Expedited Package Services (GEPS)—Non-Published Rates. Please provide the revenue, volume variable cost, product specific costs (if any), pieces, and net/gross pounds for each agreement/contract (identified by docket number, name of company/operator and, if applicable, agreement/contract number) used to derive the revenue, cost, volume, and weight figures for Global Expedited Package Services (GEPS)—Non-Published Rates shown in Table A-2.

- b. Please reconcile the revenue, pieces, pounds, volume variable cost, and contribution for the Global Expedited Package Services (GEPS)—Non-Published Rates product shown in USPS-FY11-NP2, Excel file NSA Summary (Booked).xls, worksheet tab Summary with the revenue, pieces, pounds, volume variable cost, and contribution provided for this product in response to subpart (a), above.
 - c. Please respond to subparts (a)-(b), above, with reference to the Excel file Reports.xls, worksheet tab A Pages (c), Table A-2, and the Excel file NSA Summary (Imputed).xls, worksheet tab Summary.
- 11. The following questions concern inbound competitive international negotiated service agreements for Inbound International Expedited Services.
 - a. In USPS-FY11-NP2, Excel file Reports (Booked).xls, worksheet tab A Pages (c), Table A-2, the Postal Service reports the financial results for Inbound International Expedited Services in a single entry, Inbound International Expedited Services. The competitive product list identifies three current products under the heading Inbound International Expedited Services: Inbound International Expedited Services 2, Inbound International Expedited Services 3, and Inbound International Expedited Services 4. Please provide the revenue, volume variable cost, product specific costs (if any), pieces, and net/gross pounds separately for the EMS Cooperative and other agreement/contract (identified by docket number, name of company/operator and, if applicable, agreement/contract number) used to derive the revenue, cost, volume, and weight figures for Inbound International Expedited Services shown in Table A-2.
 - b. Please reconcile the revenue, pieces, pounds, volume variable cost, and contribution for the Inbound International Expedited Services 2, Inbound International Expedited Services 3, and Inbound International Expedited

Services 4 products shown in USPS-FY11-NP2, Excel file NSA Summary (Booked).xls, worksheet tab Summary with the revenue, pieces, pounds, volume variable cost, and contribution for such products provided in response to subpart (a), above.

- c. Please respond to subparts (a) and (b), above, with reference to the Excel file Reports.xls, worksheet tab A Pages (c), Table A-2 and the Excel file NSA Summary (Imputed).xls, worksheet tab Summary.
12. Please refer to USPS-FY11-NP2, Excel file Reports (Booked).xls, worksheet A Pages (md). Table A-2 references Global Direct Entry with Foreign Postal Administrations, which consists of arrangements with a number of countries for the entry of inbound mail. In Docket No. ACR2010, the Postal Service stated that it “plans to update, and where necessary, formalize these arrangements in the coming fiscal year and to file a request to add the resulting bilateral agreements to the Mail Classification Schedule” as part of the market dominant product list. Response to CHIR No. 5, question 7(a)-(b). Please discuss the status of bilateral agreements with each country entering mail reported under Global Direct Entry with Foreign Postal Administrations and the likely addition of these agreements to the market dominant product list.
 13. Please refer to USPS-FY11-NP2, and the Excel file Reports (Booked).xls, worksheet tabs A-Pages (md) and A-Pages (c). Also, please refer to USPS-FY11-NP30, and the Excel file Fy2011_RPWsummaryreport_restricted.xls, worksheet tab FY 2011. In worksheet tab FY 2011, the sum of revenue for Inbound Surface Parcel Post (at UPU rates) and Inbound Surface Parcel Post (at Non-UPU rates) does not equal the sum of revenue for these two products reported in worksheet tabs A-Pages (md) and A-Pages (c). Please reconcile the

revenue figures for Inbound Surface Parcel Post (at UPU rates) and Inbound Surface Parcel Post (at Non-UPU rates), and in total.

MODS Cost Pools

14. In RM2011-12 (Order No. 658, January 28, 2011), the Commission accepted the Postal Service's Proposal Five to establish a separate FSS cost pool. At that time, the Postal Service reported the FSS cost pool would consist of MODS operations 530 (Stand Alone Mail Prep) and 538 (FSS DPS Mode). In USPS-FY11-7 (MOD1Pool.txt and MODS11.txt programs), the IOCS FSS-related tallies are mapped into MODS cost pools based on MODS operation codes 530 and 531-538. Please provide the MODS operation definitions for MODS operation codes 531 through 537.

Miscellaneous

15. Please provide the spreadsheets which calculate the workyears and the workyear conversion factor found in USPS-FY11-7 Part VIII, Productive Hourly Rates. Include all data sources and data used to compute the workyears and conversion factors.
16. Please describe the Postal Service's current plans regarding its collection box network and its improvement.
17. Please provide a list of the locations and start dates for the Village Post Offices currently in operation.

By the Chairman.

Ruth Y. Goldway